



ROBINSON MCFADDEN
ATTORNEYS AND COUNSELORS AT LAW

176406
S.A.
ROBINSON, MCFADDEN & MOORE, P.C.
COLUMBIA | GREENVILLE

October 20, 2005

VIA EMAIL AND HAND DELIVERY

Mr. Charles Terreni
Chief Clerk of the Commission
Public Service Commission of South Carolina
Synergy Business Park, Saluda Building
101 Executive Center Drive
Columbia, SC 29210

Re: Comtel Telcom Assets LP & VarTec Telecom
Our File No. 30123-0001

Dear Mr. Terreni:

2005-342-C

Enclosed for filing please find the Application of Comtel Telcom Assets LP for a certificate of public convenience and necessity to provide local and long distance telephone services within the State of South Carolina, for flexible regulation of its local services, and for alternative regulation. In addition, Comtel and VarTec jointly seek approval to complete an asset transfer from VarTec to Comtel as described in the application. Please date-stamp the extra copies of the Application as proof of filing and return them with our courier.

If you have any questions, please have someone on your staff contact me.

Very truly yours,

ROBINSON, MCFADDEN & MOORE, P.C.

Bonnie D. Shealy
Bonnie D. Shealy

/bds
Enclosures

cc/enc: Ms. Becky Gipson, Director, Regulatory Affairs (via email & U.S. Mail)
Dan F. Arnett, Chief of Staff of ORS (via email & U.S. Mail)
Florence Belser, General Counsel ORS (via email & U.S. Mail)
Ms. Daphne Dukes (via email)

RECEIVED

OCT 20 2005

DOCKETING DEPT.

10/20/05
tel

Bonnie D. Shealy
1901 MAIN STREET, SUITE 1200
POST OFFICE BOX 944
COLUMBIA, SOUTH CAROLINA 29202
PH
(803) 779-8900 | (803) 227-1102 direct
FAX
(803) 252-0724 | (803) 744-1551 direct
bshealy@robinsonlaw.com

SC PUBLIC SERVICE
COMMISSION

205 OCT 20 AM 11:19

RECEIVED

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

In re:)
Application of Comtel Telcom Assets LP,)
d/b/a VarTec Telecom, Clear Choice)
Communications, Excel Telecommunications)
and VarTec Solutions)
For a Certificate of Public Convenience)
And Necessity to Provide Interexchange)
And Local Exchange Telecommunications)
Services, for Flexible Regulatory)
Treatment, Alternative Regulation, and)
For Approval to Acquire Certain Assets of)
VarTec Telecom, Inc.; Excel)
Telecommunications, Inc. and)
VarTec Solutions, Inc.)
_____)

COMTEL TELCOM ASSETS LP
TELECOMMUNICATIONS
CERTIFICATION APPLICATION
AND ASSET TRANSFER

RECEIVED
2005 OCT 20 AM 11:09
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

Pursuant to S.C. Code Section 58-9-280, Comtel Telcom Assets LP ("Comtel"), d/b/a VarTec Telecom, Clear Choice Communications, Excel Telecommunications and VarTec Solutions, submits its application for a Certificate of Public Convenience and Necessity to provide local exchange and interexchange telecommunications services within South Carolina. Pursuant to S.C. Code Section 58-9-310 and the rules and regulations of the Public Service Commission of South Carolina ("Commission"), Comtel and VarTec Telecom, Inc. ("VarTec"), Excel Telecommunications, Inc., ("Excel") and VarTec Solutions, Inc. ("VarTec Solutions") (together, the "VarTec Companies") (collectively with Comtel, the "Applicants") also hereby notify and jointly petition the Commission for the approval to complete the acquisition by Comtel of certain assets of the VarTec Companies and to grant all relief requested herein to allow for the consummation of the transaction without undue delay.

In addition, Comtel respectfully requests that the Commission regulate its local telecommunications services in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C. Comtel also requests that the Commission regulate its long distance business services, consumer card services, private line services, and operator assisted service offerings in accordance with the principles and procedures

established for alternative regulations in Orders Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Order No. 2001-997 in Docket No. 2000-407-C. In support of this Application, the following is stated:

I. The Parties

A. Comtel

Comtel is a limited partnership organized under the laws of the State of Texas. A copy of the Certificate of Filing issued to Comtel by the Office of the Secretary of State in Texas is attached hereto as Exhibit A. A copy of Comtel's certificate of authority to transact business within South Carolina from the Secretary of State's Office is attached as Exhibit B. Comtel is in the process of obtaining authority to provide interexchange and local exchange telecommunications services throughout the United States. The corporate contact information for Comtel is as follows:

c/o Paul Winters
500 Boylston Street, 17th Floor
Boston, Massachusetts 02116
Telephone: (617) 603-3508
Facsimile: (617) 603-3509

Questions concerning Comtel or this filing may be addressed to the following representative:

Bonnie D. Shealy, Esquire
Robinson McFadden & Moore, P.C.
1901 Main Street, Suite 1200
Post Office Box 944
Columbia, SC 29202
Telephone: (803) 779-8900
Facsimile: (803) 252-0724
Bshealy@robinsonlaw.com

Comtel's registered agent within South Carolina is as follows: National Corporate Research, Ltd., 2 Office Park Court, Suite 103, Columbia, South Carolina 29223.

A corporate organizational chart for Comtel is attached hereto as Exhibit C, and a list of its officers is attached as Exhibit D. Comtel is a newly formed limited partnership whose principal business will be telecommunications. Its general partner, Comtel Assets Inc. ("Comtel Inc."), is a Texas corporation and owns 1% of the equity of Comtel. Comtel's limited partner, Comtel Assets Corp. ("Comtel Corp."), is a Delaware corporation, which owns 99% of the equity of Comtel.¹ Comtel Inc. and Comtel Corp. are corporate holding companies located at c/o 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

Comtel Inc. and Comtel Corp. are both 100% owned by Sowood Commodity Partners Fund III LP ("Sowood Fund III"), an investment company organized in Delaware as a limited partnership. Sowood Commodity Partners GP III LP ("Sowood GP III LP") is a Delaware limited partnership, and it is the sole general partner of Sowood Fund III with a 0.2% equity interest and operating control. The principal business of Sowood GP III LP is to serve as a corporate holding company, and it is located at 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

The remaining equity of Sowood Fund III is held by Harvard Private Capital Holdings ("HPCH"), a passive, institutional investor. HPCH's principal business is serving as an investment company. It is owned and controlled by the President and Fellows of Harvard University, a tax-exempt educational and research institution based in Cambridge, Massachusetts.² The address of HPCH is

¹ It is anticipated that certain members of Comtel's management team may have the opportunity to obtain non-controlling ownership interests in Comtel, which would reduce the interest held by Comtel Corp.

² Harvard University is an educational and research institution with tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code. According to the Harvard University Annual Financial Report for Fiscal Year 2004, income from the University's endowment is Harvard's largest source of operating income. Harvard Management Company ("HMC") is responsible for investing the assets of the endowment to meet the University's

c/o Harvard Management Company, 600 Atlantic Avenue, Boston, Massachusetts 02210.

Four individuals hold limited partnership interests in Sowood GP III LP, and those individuals own 99% of the equity in the limited partnership. The business address for these individuals is as follows: c/o 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

The general partner of Sowood GP III LP, with a 1% interest and operating control, is Sowood GP III LLC, a Delaware limited liability company. The principal business of Sowood GP III LCC is to serve as a management company. The address of Sowood GP III LLC is as follows: 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

The sole managing member of Sowood GP III LLC is Jeff Larson. Sowood GP III LLC also has three non-managing members: Stu Porter, Rick Dowd and Megan Kelleher.

B. The VarTec Companies

VarTec and Excel are corporations organized under the laws of the State of Texas. VarTec Solutions, which formerly operated under the corporate names, eMeritus Communications, Inc., Teleglobe Business Solutions, Inc. and Telco Holdings, Inc., d/b/a Dial & Save, is a Delaware corporation. The principal office of the VarTec Companies is located at the following address:

2440 Marsh Lane
Carrollton, Texas 75006
Telephone: (972) 478-3000
Facsimile: (972) 478-3310

needs. HMC is a subsidiary of Harvard and is governed by a board of directors appointed by President and Fellows of Harvard University. According to the Annual Report, HMC oversees, among other investments, some 170

Questions concerning the VarTec Companies or this filing may be addressed to the following representative:

Becky Gipson
Director, Regulatory Affairs
VarTec Telecom, Inc.
2440 Marsh Lane
Telephone: (972) 478-3309
Facsimile: (972) 478-3310
e-mail: bgipson@vartec.net

The VarTec Companies are privately-held corporations. VarTec Telecom Holding Company (“VarTec Holding”), a wholly-owned subsidiary of VarTec, holds 100% of the stock of Excelcom, Inc. (“Excelcom”) and Telco Communications Group, Inc. (“Telco”). Excelcom is the direct and sole shareholder of Excel, and Telco is the direct and sole shareholder of VarTec Solutions. VarTec Holding and Excelcom are Delaware corporations, and Telco is organized in Virginia. Each is a holding company located at 2440 Marsh Lane, Carrollton, Texas 75006.

The Commission has authorized VarTec and Excel to provide competitive local exchange and interexchange services in South Carolina. VarTec was authorized by the Commission to provide resold and facilities-based local exchange telecommunications services in Docket No. 2001-381-C, Order No. 2001-1124, and Excel received its authorization in Docket No. 2002-9-C, Order No. 2002-310. In addition, VarTec was authorized to provide resold interexchange services within South Carolina in Docket No. 92-318-C, Order No. 92-915, and Excel was authorized to provide these services Docket No. 91-500-C, Order No. 91-1076. VarTec Solutions was authorized to provide resold interexchange telecommunications services in Docket No. 95-215-C, Order No. 95-1210, originally issued under its former name, Dial & Save.

different private equity funds, managed by 60 different external management teams.

Furthermore, VarTec and Excel are authorized to provide local exchange, interexchange, operator and wireless services within and throughout the United States, and VarTec Solutions is authorized to provide interexchange services within the contiguous United States. VarTec Solutions also holds local exchange authority in a limited number of states, although it has not yet commenced providing local exchange services in any jurisdiction. In addition, the Commission has authorized VarTec to provide interexchange services to South Carolina consumers under the trade name, Clear Choice Communications. Both VarTec, including Clear Choice Communications, and Excel primarily provide telecommunications services to residential customers, while VarTec Solutions serves commercial customers.

The VarTec Companies voluntarily filed for Chapter 11 bankruptcy on November 1, 2004 in the Dallas Division of the United States Bankruptcy Court for the Northern District of Texas (the “Court”) consolidated under Case No. 04-81694-HDH-11. As part of the bankruptcy process, the VarTec Companies have entered into the below-described asset purchase agreement (“APA”) with Comtel Investments LLC (“Comtel Investments”). Comtel Investments, which is wholly owned by the same parties who own and control Comtel, has assigned its rights and obligations under the APA to Comtel as of August 1, 2005. The APA was executed on July 25, 2005 and was approved by the Court on July 27, 2005.³

II. Certification Application

A. Description of Authority Requested

1. Comtel seeks authority to provide resold inter and intraexchange intrastate telecommunications services to the public on a statewide basis. Comtel seeks

³ See Case No. 04-81694-HDH-11, Order Granting Motion (A) Approving the Sale Free and Clear of All Liens, Claims, Rights, Interests and Encumbrances to Comtel Investments LLC and (B) Granting Related Relief (Substantially All of the Debtors’ Remaining Assets) (entered July 29, 2005), available at http://docs.bmccorp.net/Vartec/docs/txnb_3-04-bk-81694_1663.pdf.

authority to offer a full range of interexchange telecommunications services on a resale basis. Specifically, Comtel seeks authority to provide MTS, out-WATS, in-WATS and calling card services. In addition, Comtel seeks to provide resold and facilities-based local exchange services.

2. Comtel does not intend to provide 900 or 700 services.

3. Comtel will own no transmission facilities with the State of South Carolina. In addition to its own switching facilities located in other states, Comtel intends to utilize the facilities and communications networks of facilities-based interexchange carriers as well as local exchange carriers. Comtel does not intend to provide local exchange services in areas where the incumbent carriers have a rural exemption.

4. Comtel will abide by all applicable rules governing telecommunications operations that the Commission has promulgated or may promulgate in the future, unless application of such rules is specifically waived by the Commission.

B. Proposed Services

5. Comtel intends to provide telecommunications services to both business and residential customers. Comtel will offer high quality, competitively priced local exchange, exchange access, operator services and interexchange telecommunications services. Comtel seeks authority to provide 1+, 800, calling card and other interexchange offerings. Comtel's local exchange services may include, but will not be limited to, the following: (1) basic residential and business local exchange services (exchange access service, flat rate service, measured rate service, operator access, etc.); (2) residential and business customer and class features (call waiting, caller ID, call forwarding, etc.); (3) residential and business ancillary services (911, directory assistance, etc.); (4) private line services and (5) data transmission services. By combining local exchange service with other

telecommunications and non-telecommunications services, Comtel intends to offer more beneficial and competitive services to increase competition within the state. Comtel's telecommunications services will be available on a full-time basis, 24 hours a day, seven days a week.

6. For interexchange offerings, Comtel intends to provide switched-based and/or total resale services through arrangements with other carriers. For local exchange services, Comtel initially intends to provide resold local exchange services through interconnection agreements with the incumbent local exchange carriers and/or competitive resold services via commercial carrier agreements with the incumbents.

7. Comtel is committed to the use of the ethical sales practices. Comtel may utilize various forms of marketing, which may include but not be limited to, direct mail marketing, print advertisements, telemarketing, agents and dealers.

8. In lieu of providing proposed telecommunications tariffs with this Application, Comtel hereby adopts and incorporates herein by reference the existing tariffs of the VarTec Companies on file with the Commission.

C. Description and Fitness of Applicant

9. Comtel will be led by a combination of its own management members and certain members of the existing management team of the VarTec Companies, who the Applicants currently expect will continue in management roles for Comtel after consummation of the transaction. Descriptions of the backgrounds of the key management members, which demonstrate extensive experience and expertise, are attached hereto and incorporated herein by reference as Exhibit E. In the event that these Company representatives change, Comtel will pursue other highly experienced executives to assume their roles to ensure that its management team is balanced and technically qualified. In addition to this management expertise

and as demonstrated in Exhibit F, Comtel has the requisite financial ability to acquire the VarTec Companies' assets and become a strong competitor in the South Carolina telecommunications marketplace.

D. Public Interest Considerations

10. As evidenced in Section II (C) above, Comtel's entry into the South Carolina marketplace is in the public interest due to Comtel's wide range of planned service offerings, which will be both competitively priced and high in quality. In addition, Comtel intends to serve both business and residential customers, a segment of the market that many carriers are choosing to leave behind in their emerging business plans.

11. Furthermore, Comtel's entry into the South Carolina marketplace will benefit the public through increased competition, which may lead to lower prices, the development of new technologies and additional service options for business and residential consumers.

E. Waivers

Comtel also requests that the Commission grant it certain waivers of the following regulatory requirements:

12. Comtel requests a waiver of the requirement in 26 S.C. Regs. 103-610 that all records required under the rules be kept within the State of South Carolina. Comtel intends to base its operations in the Dallas, Texas area and will offer services in multiple jurisdictions. It would be impractical and administratively burdensome for Comtel to maintain separate records in all of the states in which it operates. Accordingly, Comtel seeks a waiver so that it may maintain its records at its principal place of business in Dallas, Texas and nearby areas.

13. Comtel requests that it be exempt from any record-keeping rules or policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts. Because Comtel uses the Generally Accepted Accounting Principles, the Commission will have a reliable means by which to evaluate operations.
14. Comtel does not intend to publish telephone directories and requests a waiver of 26 S.C. Regs. 103-631. Comtel will make arrangements to ensure that the names of its customers are included in the directories published by the appropriate incumbent local exchange carrier. Waiver of the directory requirement is justified because it would be an unnecessary burden on Comtel to require it publish and distribute a separate directory to all customers located within each exchange area.

F. Flexible Regulation

In Docket Number 97-467-C, Order No. 98-165, the Commission approved flexible regulation for NewSouth Communications, LLC. This form of regulation included a rate structure which incorporated maximum rate levels with the flexibility for adjustment below the maximum rate levels. The Commission determined that local tariff filings would be presumed valid upon filing, subject to the Commission's right within thirty days to institute an investigation of a tariff filing and that any such tariff filings would be subject to the same monitoring process as similarly situated competitive local exchange carriers. Comtel submits that as a local exchange competitor it should be subject to regulatory constraints no greater than those imposed in the above-mentioned docket. Comtel requests that its local exchange service tariff filings be regulated under this form of flexible regulation.

G. Alternative Regulation

In Docket No. 95-661-C, in response to a Petition for Alternative Regulation by AT&T Communications of the Southern States, the Commission determined that there was sufficient competition in the market for interexchange telecommunication services to justify relaxing the manner in which AT&T was regulated. Comtel submits that, as a potential competitor of AT&T in the market for providing telecommunications services, it should be subject to no regulatory constraints greater than those imposed on AT&T. Accordingly, Comtel requests that its interexchange business service offerings, consumer card services, operator services, and private line service offerings be regulated under this form of relaxed regulation. Under this relaxed regulatory scheme, tariff filings for these services are presumed valid upon filing and the Commission has seven days in which to investigate any tariff filing. If the Commission institutes an investigation, the tariff filing will then be suspended. We request that any relaxation in the future reporting requirements that may be adopted for AT&T also apply to Comtel. These alternative regulation orders were modified by Order No. 2001-997 in Docket No. 2000-407-C which imposed a cap of \$1.75 for operator surcharges and a maximum cap of \$0.35 related to the flat per minute rate on operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected the local exchange carrier as their toll provider.

Because of both the level of competition found by the Commission in Docket No. 95-661-C and the Commission's decision to permit AT&T greater rate flexibility, Comtel submits that it is critical to the continued development of a competitive market for telecommunications services that the Commission apply the relaxed regulation described in Order Nos. 95-1734 and 96-55 as modified by Order No. 2001-997 to Applicant's service offerings.

III. The Transaction

As noted above, the VarTec Companies are operating under bankruptcy protection. Through the APA and the Court-approved auction process, Comtel will ultimately acquire substantially all of the assets of the VarTec Companies, including all telecommunications equipment, customer accounts and records, business records and licenses and permits. The APA provides that the ultimate transfer of the acquired telecommunications and associated operating assets is subject to the necessary regulatory approvals, including the approval of this Application. In addition, Comtel may, as necessary, obtain up to approximately \$10 million in debt financing pending consummation of the proposed transaction to fund working capital and similar needs of the VarTec Companies. Upon consummation of the proposed transaction, Comtel currently intends to replace such debt financing with a term (3 to 5 year) debt instrument. Based on Comtel's present understanding of the business, it anticipates that the term debt will be approximately \$50 million. This financing will assist with the day-to-day operations of Comtel as Comtel consummates its acquisition of the former VarTec Companies' operations, newly emerged from bankruptcy.

Once the proposed transaction is completed, the VarTec Companies will no longer hold authorizations to provide telecommunications services as described in Section I (B) above. These authorizations will be held by or assigned collectively to Comtel in order that Comtel can step into the shoes of the VarTec Companies, and the residential and commercial customers previously served by the VarTec Companies will continue to receive services without interruption. According to Comtel's initial plans for the business, the services provided and geographic areas served by Comtel will mirror those currently provided by the VarTec Companies, and any enhancements to the service offerings will be within the existing authority transferred to Comtel from the VarTec Companies. In order to minimize confusion and concern for customers, Comtel aims to make this transition seamless by operating under trade names and limiting all direct impacts to existing customers (e.g., no service changes are contemplated as part of this Application).

The interconnection and other network agreements currently allowing the VarTec Companies to provide local exchange and/or interexchange services will be transferred to Comtel, as necessary, to continue the Applicants' efforts to make a smooth transition for customers. Comtel also initially plans to maintain the VarTec Companies' existing tariffs on file with the Commission. Once the transaction is prepared for closing and the Commission has granted its approval, Comtel will simply modify the corporate name on the tariffs. This further supports Comtel's desire to transition the VarTec Companies' assets without interruption or burden on the existing customer base.

IV. Request for Approval to Transfer Assets

Through this Application, Comtel requests that the Commission approve the transfer of assets as described in Section III above and simultaneously grant Comtel specific authority to operate as a provider of resold and facilities-based local exchange services and resold interexchange services within South Carolina. In addition, Comtel requests the authority to provide any and all of these telecommunications services under the trade names VarTec Telecom, Clear Choice Communications, Excel Telecommunications and VarTec Solutions, in addition to the Comtel name. This will maximize Comtel's available options under which it may begin its operations in the state.

Due to the nationwide nature of the VarTec Companies' current operations, Comtel is engaged in state regulatory processes across the country in connection with the proposed transaction. The Federal Communications Commission has issued its approval for this transaction.

V. Public Interest Considerations

Grant of this Application would serve the public interest, convenience and necessity by enabling the seamless continuation of telecommunications services to the VarTec Companies' existing South Carolina customers. By allowing Comtel to assume

control of the VarTec Companies' assets and to obtain the necessary authorizations to provide telecommunications services in South Carolina, existing customers will have access to the services they enjoy today as well as the potential for expanded service offerings going forward. Due to financial restrictions, the VarTec Companies have performed extremely limited marketing, product research and other customer retention and acquisition efforts during 2004 and 2005. Such restrictions have minimized the competitive offerings introduced to the public and limited the VarTec Companies ability to invest in additional consumer service offerings. Consummation of the transaction will greatly increase the financial viability of the VarTec Companies' products and services.

Moreover, approval of the proposed transaction can be expected to serve the public interest by stimulating increased competition in the telecommunications market. As a new entrant into these markets, Comtel intends to compete efficiently and effectively using the well-established resources obtained through the APA. More effective competition has the net economic impact of lower consumer prices, combined with the introduction and availability of more consumer products and services.

VI. Request for Waiver of Slamming Rules

In further support of serving the public interest in association with this Application, the Applicants intend to provide any required customer notice of the transfer of assets to Comtel within the appropriate notice period. Such notice would take into account all relevant state and federal notification and consent requirements applicable to this transaction.

Additionally, out of an abundance of caution and to the extent necessary, the Applicants hereby request a waiver from any applicable anti-slamming regulations that may nevertheless be considered to have been violated by this transfer of assets being made without the specific authorization and verification of each affected customer. It would be impractical and burdensome to obtain the specific authorization of each customer to effect the proposed transaction. Such a process would significantly hinder

the smooth transition of services. Because affected customers would not experience any change in the quality and scope of their services, and because of the Applicants' extreme efforts to make invoicing procedures, customer service and all other matters involving customers absolutely seamless, the notice correspondence will be sufficient to serve the public interest. The notice correspondence will describe the transaction in terms that are easy to understand and ensures that customers are made aware of all their service options going forward, along with other content as may be required. Accordingly, to the extent that the Commission deems necessary, the public interest would be served by the grant of a waiver of anti-slamming regulations applicable to this transaction. The Applicants request such relief from the Commission as may be warranted.

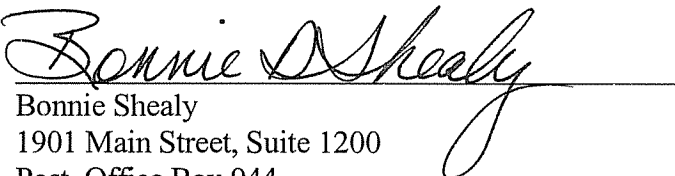
VII. Conclusion

The Applicants submit that the information provided herein demonstrates that the public interest, convenience and necessity would be served by the grant of this Application. Therefore, the Applicants respectfully request that the Commission approve the Application for a Certificate of Public Convenience and Necessity to provide local and interexchange telecommunications services, flexible regulation, alternative regulation; and grant all other relief as necessary and appropriate to authorize the completion of the sale of assets from the VarTec Companies to Comtel.

Dated this 20 day of October, 2005.

Respectfully submitted,

ROBINSON MCFADDEN & MOORE, P.C.

By: 
Bonnie Shealy
1901 Main Street, Suite 1200
Post Office Box 944
Columbia, SC 29202
Telephone (803) 779-8900
Facsimile (803) 252-0724
Bshealy@robinsonlaw.com

Attorneys for Comtel Telecom Assets LP, VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc.

EXHIBIT A

COMTEL TELCOM ASSETS LP

CERTIFICATE OF FILING



Office of the Secretary of State

CERTIFICATE OF FILING OF

Comtel Telcom Assets LP
Filing Number: 800523585

The undersigned, as Secretary of State of Texas, hereby certifies that a certificate of limited partnership for the above named limited partnership has been received in this office and filed as provided by law on the date shown below.

Accordingly, the undersigned as Secretary of State hereby issues this certificate evidencing the filing in this office.

Dated: 07/26/2005

Effective: 07/26/2005



A handwritten signature of Roger Williams in black ink.

Roger Williams
Secretary of State

FROM

(TUE) 7.26'05 14:05/ST. 14:04/NO. 4864937003-P 3

FILED
In the Office of the
Secretary of State of Texas

JUL 26 2005

Corporations Section

CERTIFICATE OF LIMITED PARTNERSHIP

OF

COMTEL TELCOM ASSETS LP

1. Name of Partnership: Comtel Telcom Assets LP
2. Name and Address of Registered Agent and Office: National Corporate Research, Ltd.
800 Brazos, Suite 1100
Austin, Texas 78701
3. Address of Principal Office: 600 Travis, Suite 2775
Houston, Texas 77002
4. General Partner:
Name: Comtel Assets Inc.
Mailing Address: 600 Travis, Suite 2775
Houston, Texas 77002

EXECUTED on the 26th day of July, 2005.

GENERAL PARTNER:

COMTEL ASSETS INC.

By: Megan Keller
Name: MEGAN KELLER
Title: SECRETARY

HOUSTON 835855v1

EXHIBIT B

COMTEL TELCOM ASSETS LP

CERTIFICATE OF AUTHORIZATION

The State of South Carolina



Office of Secretary of State Mark Hammond

Certificate of Authorization, Limited Partnership

I, Mark Hammond, Secretary of State of South Carolina Hereby certify that:

COMTEL TELCOM ASSETS LP,
a Limited Partnership organized under the laws of the state of TEXAS and doing
business in South Carolina under the name of

COMTEL TELCOM ASSETS LP
has, on August 19th, 2005, filed with this office duly authenticated evidence of its
formation and a proper application of registration of foreign limited partnership
and is authorized to transact business in this State, as provided by the South
Carolina Uniform Limited Partnership Act, as shown by the records in this office
in the Foreign Limited Partnership file

Given under my Hand and the Great
Seal of the State of South Carolina this
19th day of August, 2005.


Mark Hammond, Secretary of State

REPRODUCED TO BE A TRUE AND CORRECT COPY
AS TAKEN FROM AND COMPARED WITH THE
ORIGINAL ON FILE IN THIS OFFICE

AUG 19 2005

STATE OF SOUTH CAROLINA
SECRETARY OF STATE

Mark Hammond
SECRETARY OF STATE OF SOUTH CAROLINA

APPLICATION FOR REGISTRATION
OF
FOREIGN LIMITED PARTNERSHIP

TYPE OR PRINT CLEARLY IN BLACK INK

Pursuant to Section 33-42-1620 of the 1976 South Carolina Code, as amended, the undersigned foreign limited partnership submits the following:

1. Name of Limited Partnership

Comtel Telcom Assets LP

2. Name under which business will be transacted

Comtel Telcom Assets LP

3. Date of Organization July 26, 2005 State of Organization Texas

4. Name and Address of Registered Agent in South Carolina:

National Corporate Research, Ltd.

Agent's Name

2 Office Park Court, Suite 103

Street Address

Columbia

South Carolina

29223

City

State

Zip Code

I hereby consent to the appointment of Registered Agent.

Agent's Signature

5. The Secretary of State is appointed the agent of the foreign Limited Partnership if no agent has been appointed or, if appointed the agent's authority have been revoked or if the agent cannot be located.

6. Home office address or principal office in state of jurisdiction:

600 Travis, Suite 2775

Street Address

Houston

TX

77002

City

State

Zip Code

7. Names and addresses of General Partners:

- (a) Comtel Assets, Inc.

Name

600 Travis, Suite 2775

Houston

Mailing Address

City

TX

77002

050819-0090

FILED: 08/19/2005

016

COMTEL TELCOM ASSETS LP

Filing Fee: \$10.00 ORIG



Mark Hammond

South Carolina Secretary of State

Comtel Telcom Assets LP

Name of Limited Partnership

(b) _____
Name_____
Mailing Address City_____
State Zip Code(c) _____
Name_____
Mailing Address City_____
State Zip Code

(Add additional lines if necessary)

8. Address of office where a list of names and addresses of the Limited Partners and their capital contributions is kept.

c/o Sowood Capital Management, 500 Boylston Street, 17th floor

Street Address

Boston

MA

02116

City

State

Zip Code

9. The undersigned foreign limited partnership affirms that a list of names and addresses of the limited partners along with their capital contributions will be kept at the address listed in # 8 until the foreign limited partnership's registration in South Carolina is cancelled or withdrawn.

Date _____

Comtel Telcom Assets LP

Suj. Comtel Assets, LLC

Name of Partnership

Megan Kelleher

Signature of General Partner

Megan Kelleher, Secretary

FILING INSTRUCTIONS

- Two copies of this form, the original and either a duplicate original or a conformed copy.
- An original certificate of existence not more than 30 days old from the domestic state.
- Filing Fee (payable to the Secretary of State at the time of filing this application) - \$10.00

Return to: Secretary of State
P.O. Box 11350
Columbia, SC 29211

NOTE

THE FILING OF THIS DOCUMENT DOES NOT, IN AND OF ITSELF, PROVIDE AN EXCLUSIVE RIGHT TO USE THIS NAME ON OR IN CONNECTION WITH ANY PRODUCT OR SERVICE. USE OF A NAME AS A TRADEMARK OR SERVICE MARK WILL REQUIRE FURTHER CLEARANCE AND REGISTRATION AND BE AFFECTED BY PRIOR USE OF THE MARK. FOR MORE INFORMATION, CONTACT THE TRADEMARKS DIVISION OF THE SECRETARY OF STATE'S OFFICE AT (803) 734-2511.

Corporations Section
P.O. Box 13697
Austin, Texas 78711-3697



Roger Williams
Secretary of State

Office of the Secretary of State

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Certificate of Limited Partnership for Comtel Telecom Assets LP (filing number: 800523585), a Domestic Limited Partnership (LP), was filed in this office on July 26, 2005.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on August 16, 2005.



A handwritten signature in cursive script that reads "Roger Williams".

Roger Williams
Secretary of State

Phone: (512) 463-5555
Prepared by: SOS-WEB

Come visit us on the internet at <http://www.sos.state.tx.us/>
Fax: (512) 463-5709

TTY: 7-1-1
Document: 100676440003

EXHIBIT C

COMTEL TELCOM ASSETS LP

CORPORATE ORGANIZATIONAL CHART

Comtel Telecom Assets LP

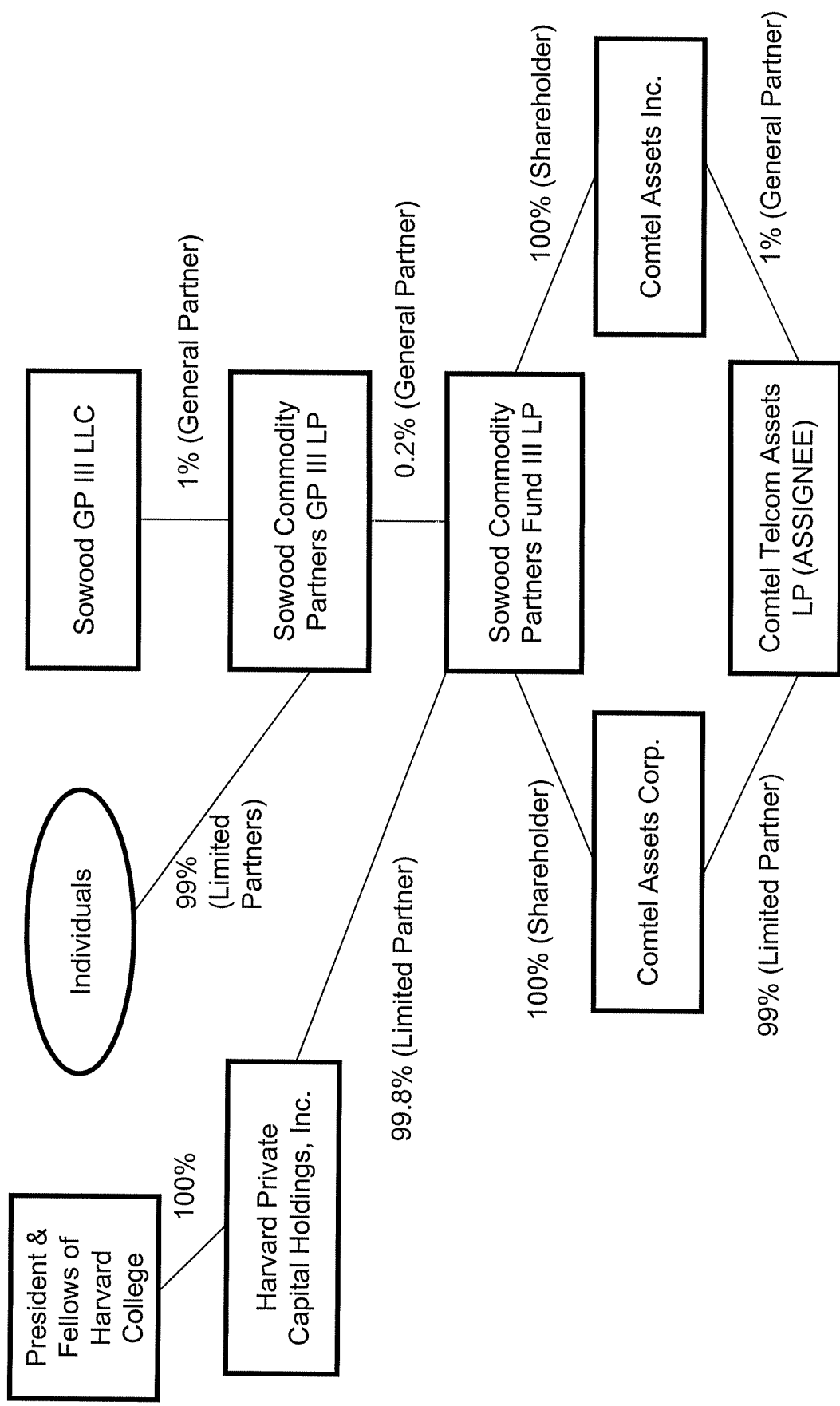


EXHIBIT D

COMTEL TELCOM ASSETS LP

LIST OF OFFICERS

**COMTEL TELCOM ASSETS LP
OFFICER LIST**

Chairman	Stu Porter 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
President	Bill Zartler 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Vice President	Rick Dowd 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Vice President	John Collins 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Secretary	Megan Kelleher 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Assistant Secretary	Paul Winters 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Assistant Secretary	Lee Ann Wilson 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116

EXHIBIT E

COMTEL TELCOM ASSETS LP

BIOGRAPHIES OF KEY PERSONNEL

Biographies of Key Personnel of Comtel Telecom Assets LP
(Including Management Members from the VarTec Companies Currently Expected to Continue in
Management Roles for Comtel after Consummation of the Transaction)

Stuart Porter - Chairman

Mr. Porter serves as Chief Investment Officer for Sowood Commodity Partners Funds. Previously, Mr. Porter was employed as a Vice President and Portfolio Manager at Harvard Management Company where he focused on relative value transactions in commodities and structured private transactions in the commodity sector. He was responsible for investments in pipelines, hedge oil and gas reserves, equity in retail and wholesale energy providers and distressed investments in the metals sector. Such investments were premised on implementation of commodity hedges or the implementation of “real option” analysis. Mr. Porter previously worked as the European time zone trader for Bacon Investments and at J. Aron, a division of Goldman Sachs. While at J. Aron he worked on the Goldman Sachs Commodity Index desk within the metals group. Prior to joining J. Aron, Mr. Porter was a self-employed trader at the Chicago Board of Trade and had been employed by Cargill Incorporated in Minnetonka, Minnesota as a trader in the Financial Markets Division. Mr. Porter received a Bachelor of Arts degree in Economics from the University of Michigan in 1987 and his M.B.A. from the University of Chicago Graduate School of Business in 1994.

William Zartler - President

Mr. Zartler has 18 years of experience in the midstream energy and petrochemical industries. From 1989 through 1993, Mr. Zartler was the Feedstock Trading Manager and the Business Analyst at Dow Hydrocarbons and Resources where he was responsible for supply management and feedstock economics for the basic petrochemical businesses. From 1993 through 1998, Mr. Zartler served as Senior Vice President and General Manager at Dynegy with responsibilities for the Natural Gas Liquids Downstream business unit and a portion of the Gas Trading operation. Mr. Zartler led the growth of Dynegy’s Natural Gas Liquids business from nearly zero in 1993 to an operating margin of over \$100 million per year by 1998. From 1999 through 2001, Mr. Zartler founded and actively managed several small companies and in 2002 started and built a

downstream Natural Gas Liquids business for Aquila, Inc. Thereafter, Mr. Zartler founded Solaris Energy Services an organization specializing in energy commodity and asset consulting and investment. Mr. Zartler serves as Chairman of the Board of NGL Supply, Inc., a Tulsa based Natural Gas Liquids and Propane terminal, marketing and trading organization. He serves on the Board of Gavelston LNG, a Calgary and London based LNG Terminal project and LNG marketing operation, and Mercomm LLC an Austin, TX based provider of telecommunication wholesale services, all Sowood portfolio companies. Mr. Zartler received a Bachelor of Science degree in Mechanical Engineering from The University of Texas at Austin in 1987 and a Masters in Business Administration from Texas A&M University in 1989 and also attended the Stanford University Business School Executive Program in 1998.

Megan Kelleher - Secretary

Megan Kelleher is the General Counsel of Sowood Capital Management LP. Ms. Kelleher's experience includes negotiation of contracts for investment and trading relationships, including private placement documentation. She is experienced with legal and business risk analysis of investment instruments for portfolio managers and has assisted with the establishment of risk and regulatory compliance standards and procedures. Ms. Kelleher also served in an investment role in the Commodities Portfolio at Harvard Management Company where she analyzed, valued and negotiated private equity and structured finance transactions. Concurrently, Ms. Kelleher participated in the international equity portfolios with legal, regulatory and strategy issues surrounding proposed restructurings of closed-end funds. Ms. Kelleher received a Bachelor of Arts from Stonehill College in 1991, a Juris Doctor from New England School of Law in 1994 and a Master of Business Administration from Boston College in 2001.

Patrick Marburger

From 1983 through 1989, Mr. Marburger's primary concentration was in financial accounting and auditing while working for Kaneb Services, Inc. and Anadarko Petroleum Corporation, both

Texas-based energy concerns. In 1989, Mr. Marburger joined Olympic Natural Gas Company as Controller where he focused on day-to-day finance and accounting matters and led the Company's efforts in raising acquisition financing. In 1992, he became a founding member of British Gas, plc's Global Gas Americas group dedicated to originating, structuring, financing and closing energy related asset transactions in North and South America. In 1994, Mr. Marburger began a 9-year career with Dynegy (formerly Natural Gas Clearinghouse) as head of its mergers and acquisitions group. He was involved in successfully completing over \$2.5B in transactions in less than three years, elevating Dynegy to a fortune 500 company by 1997. From 1997 until 2003, he moved to a commercial role where he rose to Senior Vice President of Natural Gas Trading and Power Origination and in 2002, President of its telecommunications venture. Mr. Marburger received a Bachelor of Business Administration in Accounting from Sam Houston State University in 1983, and he is a Certified Public Accountant.

Jerry Ou

Jerry Ou serves as President of Mercantel Communications LP and has been in the telecommunications industry for the last five years. Mr. Ou has previously worked with Simplified Development, the technology provider for Teleworks, as a senior consultant focusing primarily on the Asian-American customer base and working with such customers as PCCW. Mr. Ou, serving as a business strategist for Simplified Development, helped secure initial investment funding with venture capitalists. Most recently, Mr. Ou was one of the responsible parties involved in creating the wholesale voice division at Dynegy, which led to the formation of Teleworks Wholesale Services, LP. Prior to Simplified Development, Mr. Ou was a financial analyst with a subsidiary of Goldman Sachs where he structured mezzanine finance deals that included, but were not limited to, real estate bond offerings from JP Morgan and the Morgan Bank of Tokyo in addition to managing real estate assets for Goldman Sachs and the Archon Group. Mr. Ou graduated from Harvard University with an honors degree in Economics.

Richard Dinh

Mr. Dinh serves as Chief Operating Officer of Mercantel Communications LP and has been in the telecommunications space for the last five years. Mr. Dinh previously worked for Simplified

Development where he helped secure investor funding. Mr. Dinh also managed Simplified Development's customer accounts in Asia, resulting in his move to lead consultant for the SingTel project. Meanwhile, Mr. Dinh was also one of the responsible parties involved in creating a wholesale voice division and platform for Dynegy, which has led to the formation of Teleworks Wholesale Services, LP.

Prior to his role with Simplified Development, Mr. Dinh was a financial analyst with a subsidiary of Goldman Sachs where he structured mezzanine finance deals that included, but were not limited to, real estate bond offerings from JP Morgan and the Bank of Tokyo in addition to managing the real estate debt portfolios for Goldman Sachs and the Achron Group. Mr. Dinh graduated from Harvard University in 1998 with an honors degree in Psychology.

Anthony L. Cecil

Mr. Cecil's background encompasses forensic accounting investigations and audits in a wide range of industries. Most recently, he was a senior manager for Bederson & Company, LLP, a public accounting firm. Prior to joining Bederson, he was a managing director of Virginia-based CoreFacts, LLC, senior manager in KPMG's Forensic and Litigation Services group, director of special investigations units for Bell Atlantic Corporation and Bell Atlantic Mobile and a senior auditor for Price Waterhouse.

While working at the Bell Atlantic Corporation and Bell Atlantic Mobile, Mr. Cecil established and directed special investigations units to perform high level, sensitive fraud investigations of alleged wrongdoing by employees, vendors, and customers. Each unit consisted of individuals, who had financial, auditing, and law enforcement experience. In addition, he developed a sophisticated white-collar crime intelligence system to aid in the building of complex fraud cases.

Mr. Cecil managed regional Bell Atlantic Corporation audit teams responsible for auditing operations with revenues and expenses of up to \$1 billion. He developed annual audit plans for a staff of 18 professional auditors. He planned and conducted audits to assess the adequacy of internal controls and the efficiency of operations. He prepared creative and innovative audit

reports that clearly presented audit findings and encouraged management to take corrective action. These reports consistently set new standards for all reports in the Internal Auditing organization.

Mr. Cecil holds a Bachelor of Science degree in Accounting from the University of Maryland and a Master of Science in Economic Crime Management from Utica College. He is a practicing Certified Public Accountant (licensed in Maryland) and is a Certified Fraud Examiner.

James Cashiola

Mr. Cashiola founded and was President of Simplified Development Corp, an infrastructure software company focused on creating technology that aids service providers in operating and offering their services while optimizing underlying cost elements. Mr. Cashiola started in the telecommunications business in 1985 with a dialup business focused on transmission of government documents. In 1989, Mr. Cashiola transitioned to the switchless resale business, and in 1991, moved into the facilities-based resale with a focus on the development and implementation of IVR and ISDN technologies. By 1996, Mr. Cashiola entered into carrier class switching and was designing and developing proprietary software, which was integral to perform protocol translation that allowed for management of direct routes into international countries. Over his career, Mr. Cashiola has founded or co-founded seven different telecommunications businesses ranging from service bureau to prepaid calling card to wholesale carrier companies. Mr. Cashiola graduated from the University of Southern California in 1984 with a degree in Philosophy.

Mark A. Carter

Mr. Carter is a seasoned executive and entrepreneur with extensive experience in finance, accounting, audit, investigations and internal controls. Most recently, he was a founder and Chief Financial and Operations Officer of CoreFacts, LLC, a high technology investigations and litigation support company. At CoreFacts, he assembled and managed a team of investigative specialists and provided professional services to a wide range of clients, including extensive investigations into fraud and trade secret theft for major telecommunications companies. He

developed and implemented all financial and operational support systems and guided CoreFacts through its sale to a public company.

Prior to his venture with CoreFacts, Mr. Carter spent eleven years with Bell Atlantic Corporation. His tenure at Bell Atlantic began in internal auditing where he eventually headed a group responsible for assessing risks, developing plans, and executing audits of all financial and operational aspects of telephone company operations. Later, as the head of worldwide security, he established programs to investigate and prevent fraud, waste and abuse and served as a key participant in establishing a corporate ethics and compliance program to ensure conformity with federal, state, and local regulatory requirements.

Also, selected for a Fellowship for The Brookings Institution, Mr. Carter spent a year as a Legislative Assistant to Congressman Scott Klug, (R, WI) where he oversaw the Congressman's participation in programs for the privatization of government functions and the auditing and financial reorganization of Capitol Hill operations. Mr. Carter's other experience includes four years as a Special Agent Accountant for the Federal Bureau of Investigation. As an Agent, he participated in and led investigations of federal offenses, including bank fraud and embezzlement, public corruption, fraud against the Federal Government, and commercial bribery. In addition, Mr. Carter was an active duty aviation officer in the United States Army for four years, gaining valuable experience in the leadership and management of large groups of personnel and high dollar value equipment and budgeting. Mr. Carter holds a Bachelor of Science degree in Accounting and a Masters of Business Administration in Finance from Troy State University. He is a non-practicing Certified Public Accountant (licensed in Virginia from 1988 to 1992) and has continuing and graduate level education and training in federal taxation, audit, and business planning.

VarTec Companies

Randy McNeal

Mr. McNeal has over 22 years of experience with VarTec and several companies acquired by VarTec during that time. As Senior Vice President, Network Planning, Mr. McNeal was instrumental in merging the Telco, Advantis, and Excel networks and moving Excel off net traffic from MCI to a new network at a cost savings of \$15M per month. During his tenure as General Manager, eMeritus Communications (now known as VarTec Solutions, Inc.), Randy significantly turned around a failing business unit, while simultaneously launching new carrier business. The combined projects delivered four years of continuous revenue and profit growth. Most recently, as Senior Vice President of Network for the VarTec Companies, Mr. McNeal has dramatically reduced network costs by 35% and growing as well as completing development of a network inventory system. Mr. McNeal holds a Bachelor of Science Degree in Administration and Management from William Jewell College (1982).

Keith Henderson

Mr. Henderson began his career with VarTec Telecom, Inc. in March 2002 and is currently Vice President - Customer Service. He is responsible for operations, including internal call centers as well as international and domestic outsourced call center operations. In addition, Mr. Henderson has the responsibility for the provisioning operations for local and long distance products as well as responsibility for call center technologies (IVR, ACD, quality monitoring), customer service program management, training and curriculum development, and customer relations. Mr. Henderson has also been responsible for Receivables Management operations, primarily focusing on the reduction of bad debt through inbound and outbound collections. Mr. Henderson has 24 years of leadership experience with major telecommunications providers, such as SBC, Sprint, and Citizens Communications. His diverse experience includes information technology, field operations, billing, receivables management, customer service, acquisition of telecom

properties and Total Quality Management (TQM) processes, including the teaching of business process improvement and statistical process control applications.

Mr. Henderson received his Bachelor of Science degree from the University of Texas (Dallas) in 1979 and his Master of Science degree from the University of Texas (Dallas) in 1981.

Melissa A. Drennan, Esq.

Ms. Drennan graduated, with distinction, from the University of Notre Dame in 1991, with a Bachelor of Arts in English and a minor in Public Policy. She received her Juris Doctorate degree from Southern Methodist University's Dedman School of Law in 1994, and served on the SMU Law Review. While at law school, Drennan was a founding member and Chairperson of the Board of Advocates, as well as a Student Senator. She received the International Academy of Trial Lawyers Award in 1994, was elected SMU's Outstanding Advocate of the Year in 1994, and was named in Who's Who Among American Law Students 1992-1994. After graduation, Ms. Drennan served as a Briefing Attorney for Justice David L. Richards and Justice David F. Farris, of the Second Court of Appeals for the State of Texas from 1994 to 1995.

Prior to joining VarTec, Ms. Drennan was an associate in the Fort Worth, Texas office of Haynes & Boone. L.L.P. She participated in a wide array of litigation, appellate, and mediated matters, representing a broad range of clients, from Fortune 500 companies in multi-party cases to individual business owners in contract disputes.

Ms. Drennan joined VarTec in August of 1998. In her current role as Deputy Chief Counsel and Vice President – Litigation and Compliance, Ms. Drennan is responsible for corporate compliance, litigation, dispute resolution, regulatory affairs, employment law issues, marketing compliance and the intellectual property portfolio of VarTec and all of its subsidiaries. She oversees the management of the Regulatory Affairs Department, which supports all of VarTec's utility and other operations in addition to those of its subsidiaries.

EXHIBIT F

COMTEL TELCOM ASSETS LP

FINANCIAL QUALIFICATIONS

Comtel's Financial Statements are being provided
to the Commission and the Office of Regulatory Staff by hard copy only.

Comtel Telecom Assets LP
Balance Sheet
September 15, 2005
(UNAUDITED)

	<u>September 15, 2005</u>
Assets	
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,074,372.40
	<u>7,074,372.40</u>
NONCURRENT ASSETS	
VarTec Inc Assets	36,403,419.69
	<u>36,403,419.69</u>
TOTAL ASSETS	<u>\$ 43,477,792.09</u>
Liabilities & Partners' Capital	
OTHER CURRENT LIABILITIES	
Payroll Liabilities	\$ 5,303.40
	<u>5,303.40</u>
TOTAL LIABILITIES	<u>5,303.40</u>
PARTNERS' CAPITAL	
Comtel Assets Corp. 99%	43,106,187.65
Comtel Assets Inc. 1%	435,416.04
Net Income	(69,115.00)
	<u>43,472,488.69</u>
TOTAL LIABILITIES & PARTNERS' CAPITAL	<u>\$ 43,477,792.09</u>

See accompanying notes to financial statements.

Comtel Telcom Assets LP
Statement of Operations
For the Period July 19, 2005 through September 15, 2005
(UNAUDITED)

	<u>Jul 19 - Sep 15, 2005</u>
OPERATING EXPENSES	
Contract Labor	\$ 65,647.00
Payroll Expenses	15,191.58
	<u>80,838.58</u>
Operating Income (Loss)	<u>(80,838.58)</u>
 NON-OPERATING INCOME/(EXPENSES)	
Interest Income	12,508.58
Other Expense	(785.00)
	<u>11,723.58</u>
 NET INCOME/(LOSS)	 <u><u>\$ (69,115.00)</u></u>

See accompanying notes to financial statements.

Comtel Telcom Assets LP
Statement of Partners' Capital
For the Period July 19, 2005 through September 15, 2005
(UNAUDITED)

	<u>Jul 19 - Sep 15, 2005</u>
PARTNERS' CAPITAL AT BEGINNING OF PERIOD	
Comtel Assets Corp. 99%	0.00
Comtel Assets Inc. 1%	0.00
	<u>0.00</u>
CAPITAL FROM PARTNERS	
Comtel Assets Corp. 99%	43,106,187.65
Comtel Assets Inc. 1%	435,416.04
	<u>43,541,603.69</u>
ALLOCATION OF NET LOSS	
Comtel Assets Corp. 99%	(68,423.85)
Comtel Assets Inc. 1%	(691.15)
	<u>(69,115.00)</u>
PARTNERS' CAPITAL AT END OF PERIOD	
Comtel Assets Corp. 99%	43,037,763.80
Comtel Assets Inc. 1%	434,724.89
	<u>\$ 43,472,488.69</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

(1) ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) PARTNERSHIP PAYMENT AT FINAL CLOSING

Upon Final Closing, the Partnership shall pay Seller an estimated \$40.5 million in accordance with the Asset Purchase Agreement dated July 25, 2005.

(3) FUNDING ACCOUNT

Between the Early Funding Date and Final Closing, the Accounts Receivable proceeds collected by the Seller will be deposited into a Funding Account to serve as the primary funding source for the Seller to satisfy its obligations to pay Business Expenses. Funds in the Funding Account shall be an Acquired Asset and shall become the property of the Partnership upon Final Closing, and are expected to be used in part to pay the balance of the purchase price referred to in note 2, above. As of September 20, 2005, the Seller has accumulated \$12.7 million in the Funding Account.

VERIFICATION

On behalf of Comtel Telcom Assets LP, the undersigned verify that the information contained in the attached financial statements has been examined and is true and correct to the best of our knowledge and belief.

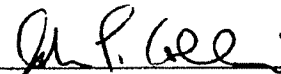
Comtel Telcom Assets LP

By: 

Name: William Zartler
Title: President
Comtel Telcom Assets LP
c/o 500 Boylston St., 17th Fl.
Boston, MA 02116
Telephone: (713) 217-2716
Facsimile: (713) 217-2717
e-mail: bill.zartler@sowood.com

9/22/05
Date

And

By: 

Name: John Collins
Title: Vice President
Comtel Telcom Assets LP
c/o 500 Boylston St., 17th Fl.
Telephone: (617) 603-3514
Facsimile: (617) 603-3515
e-mail: john.collins@sowood.com

9/22/05
Date

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO.

In Re:)

)
Application of Comtel Telcom Assets)
LP, d/b/a VarTec Telecom, Clear)
Choice Communications, Excel)
Telecommunications and VarTec)
Solutions For a Certificate of Public)
Convenience And Necessity to)
Provide Interexchange And)
LocalExchange Telecommunications)
Services, for Flexible Regulatory)
Treatment, Alternative Regulation,)
and For Approval to Acquire Certain)
Assets of VarTec Telecom, Inc.;)
Excel Telecommunications, Inc. and)
VarTec Solutions, Inc.)

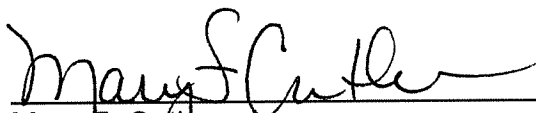
CERTIFICATE OF SERVICE

RECEIVED
2005 OCT 20 AM 11:19
SC PUBLIC SERVICE
COMMISSION

This is to certify that I, Mary F. Cutler, a legal assistant with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the **Application of Comtel Telcom Assets LP** in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

Dan F. Arnett, Chief of Staff
Florence Belser, General counsel
Office of Regulatory Staff
1441 Main Street, 3rd Floor
Columbia, SC 29201

Dated at Columbia, South Carolina this 20th day of October, 2005.



Mary F. Cutler